



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

JOHN E. NIXON, CPA
DIRECTOR

September 26, 2012

The Honorable Roger Kahn, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48909

The Honorable Chuck Moss, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48909

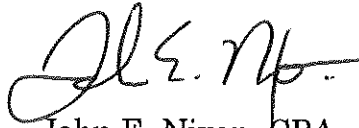
Dear Legislators:

Attached is the monthly financial report for the month ending August 31, 2012. This report is submitted pursuant to MCL 18.1386. This report can also be found on the Internet at the following address:

www.michigan.gov/budget under "Financial Reports".

If you have questions concerning the information in this report, please contact this office.

Sincerely,



John E. Nixon, CPA
State Budget Director

Attachment

c: Governor Rick Snyder	House Fiscal Agency
Randy Richardville, Sen. Maj. Leader	Jack Brandenburg, Chair, Senate Finance Com.
Gretchen Whitmer, Senate Min. Leader	Judson S. Gilbert II, Chair, House Tax Policy Com.
Jase Bolger, Speaker of the House	John Roberts, Deputy Chief of Staff
Richard Hammell, House Min. Leader	Dick Posthumus, Executive Office
Senate Appropriations Committee	Mike Moody, Office of Financial Management
House Appropriations Committee	Nancy Duncan, Deputy State Budget Director
Senate Fiscal Agency	Internal State Budget Office Distribution

GENERAL FUND, GENERAL PURPOSE
Fiscal Year 2012
Projected Revenues and Expenditures
August 31, 2012
(\$ in millions)

FISCAL
2012

Beginning Balance, October 1, 2011	see one-time revenue
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Current Year GF/GP Revenues, May 2012 Consensus Estimate	\$ 9,064.4
Revenue Adjustments:	
Local Government Program Payments	\$ (300.0)
Use Tax on Medicaid managed care (PA 141 of 2011)	\$ 192.6
Other Revenue Adjustments	\$ 2.1
Subtotal Additional Revenue Adjustments	\$ (105.3)
Total FY Resources Available For Expenditure GF/GP - Ongoing	8,959.1

Expenditures, Current Law:	
FY 2012 Enacted with Vetoes	\$ 8,321.9
Supplemental Request (letter 2012-13)	\$ (87.8)
Total Expenditures Projected - Ongoing	\$ 8,234.1

Current Year Revenues minus Ongoing Costs	\$ 725.0
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Beginning Balance (One-Time Revenue)	\$ 553.7
Supplemental Request (letter 2012-13)	\$ 0.9
Total FY Resources Available For Expenditure GF/GP - One-Time	\$ 554.6
One-Time Spending Items:	
PA 62 and PA 63 of 2011; PA 89, PA 201 and PA 236 of 2012, Enrolled House Bill 5015	\$ 556.4
Supplemental Request (letter 2012-18)	\$ 15.0
One-Time Revenue minus One-Time Spending	\$ (16.8)

Projected Ending Balance, September 30, 2012	\$ 708.2
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SCHOOL AID FUND
Fiscal Year 2012
Projected Revenues and Expenditures
August 31, 2012
(\$ in millions)

	FISCAL 2012
Beginning Balance , October 1, 2011	see one-time revenue
Current Year School Aid Fund Revenues, May 2012 Consensus Estimate	\$ 10,876.1
Revenue Adjustments:	
General Fund	\$ 118.6
PA 201 of 2012 Adjustment to General Fund	\$ (40.0)
Federal Revenue	\$ 1,658.0
Subtotal Additional Revenue Adjustments	\$ 1,736.7
Total FY Resources Available for Expenditure School Aid Fund	\$ 12,612.8
School Aid Ongoing Costs	
PA 62 of 2011	\$ 12,198.9
PA 29 of 2012	\$ 68.4
PA 201 of 2012	\$ 2.9
School Aid Ongoing Costs	\$ 12,270.2
Community Colleges Ongoing Costs	
PA 62 of 2011	\$ 195.9
Universities Ongoing Costs	
PA 62 of 2011	\$ 200.0
Total School Aid Fund Ongoing Costs Projected	\$ 12,666.1
Current Year Revenues minus Ongoing Costs	\$ (53.3)
Beginning Balance (One-Time Revenue)	\$ 724.7
One-Time Spending Items	
PA 62 of 2011	\$ 460.2
PA 29 of 2012	\$ 16.5
Total School Aid Fund Spending - One-Time	\$ 476.7
One-Time Revenue minus One-Time Spending	\$ 248.0
Projected Ending Balance, September 30, 2012	\$ 194.7

SUMMARY OF EXPENDITURES AND ENCUMBRANCES GENERAL FUND GROSS

August 31, 2012
(\$ IN MILLIONS)

FISCAL YEAR 2011

FISCAL YEAR 2012

Exp & Enc August 2011	Exp & Enc Yr-to-date FY 2011	Fiscal Year End SEP 30, 2011	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc August 2012	Exp & Enc Yr-to-date FY 2012
4.8	52.3	60.2	Agriculture and Rural Development	69.9	13.8	7.0	53.1
4.7	53.5	62.9	Attorney General	73.6	15.8	7.9	63.0
19.9	234.2	235.3	Capital Outlay**	279.1	4.6	19.8	238.1
1.1	10.0	11.5	Civil Rights	13.7	3.2	1.4	11.1
161.4	1,870.1	1,865.2	Colleges & Universities	1,250.2	1.9	110.0	1,239.4
1,218.2	11,799.4	14,302.1	Community Health	14,154.6	507.9	1,322.5	11,868.4
147.9	1,682.5	1,934.9	Corrections	1,915.2	99.4	183.7	1,731.4
5.9	79.5	105.2	Education	117.3	188.3	21.3	215.7
15.2	130.7	160.5	Environmental Quality	385.0	61.4	20.9	151.1
0.1	4.1	4.5	Executive Office	4.4	0.2	0.9	4.1
514.8	5,583.3	6,200.1	Human Services	6,793.4	111.0	520.4	5,196.4
19.3	184.9	231.2	Judiciary	257.0	3.2	18.0	184.9
1.2	14.4	16.7	Legislative Auditor General	15.6	1.3	2.1	15.9
8.8	101.8	96.4	Legislature	100.3	13.4	11.7	96.8
63.5	744.7	802.0	Licensing and Regulatory Affairs	568.2	126.6	39.0	378.2
9.7	112.8	120.9	Military Affairs	129.2	25.4	13.3	111.3
5.5	47.5	58.4	Natural Resources	93.3	21.9	8.5	51.5
0.0	0.0	0.0	School Aid	0.0	0.0	0.0	0.0
14.8	151.9	172.3	State	210.9	18.5	17.3	148.7
40.1	393.7	474.7	State Police	523.6	37.8	52.0	407.5
18.0	203.5	305.2	Technology, Management & Budget***	522.9	192.8	71.1	523.1
0.0	0.0	0.0	Transportation	0.0	0.5	0.0	0.0
209.3	1,468.6	3,069.0	Treasury	1,476.8	190.0	230.7	1,703.8
0.0	32.8	32.1	Michigan Strategic Fund	59.0	88.1	0.8	48.7
\$2,484.2	\$24,956.2	\$30,321.3		\$29,013.3	\$1,727.0	\$2,680.1	\$24,442.3

*Includes boilerplate appropriations.

**Includes all capital outlay activity regardless of agency

***Includes Civil Service Commission

ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2012

August, 2012

(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	15,144.0	159.1	15,303.1
Total state spending from state resources	27,212.5	539.3	27,751.8
Percentage of state spending from state resources paid to local units	55.65%		55.14%
Required payments to local units (48.97%)	13,326.0		13,590.1
Surplus/(deficit)	\$1,818.0		\$1,713.0

STATE OF MICHIGAN
 YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
 COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
 OCTOBER 1, 2011 THROUGH AUGUST 31, 2012
 (in thousands)

REVENUES

Miscellaneous	\$	98
		98

EXPENDITURES

Current:		
General government		-
		-
Total Expenditures		-
Excess of Revenues over (under)		
Expenditures		98

OTHER FINANCING SOURCES (USES)

Transfers from other funds		323,566
Transfers to other funds		-
Total Other Financing Sources (Uses)		323,566
Excess of Revenues and Other Sources		
over (under) Expenditures and		
Other Uses		\$ 323,664 ¹

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
MICHIGAN NATURAL RESOURCES TRUST FUND
OCTOBER 1, 2011 THROUGH AUGUST 31, 2012
(in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>51,598</u>
Total Revenues	<u>51,598</u>

EXPENDITURES

Current:	
General government	1,136
Conservation, environment, recreation, and agriculture	1,542
Capital outlay	<u>30,778</u>
Total Expenditures	<u>33,456</u>
Excess of Revenues over (under) Expenditures	<u>18,142</u>

OTHER FINANCING SOURCES (USES)

Proceeds from bond issues	-
Proceeds from sale of capital assets	38
Transfers from other funds	-
Transfers to other funds	<u>(36)</u>
Total Other Financing Sources (Uses)	<u>2</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 18,144 ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

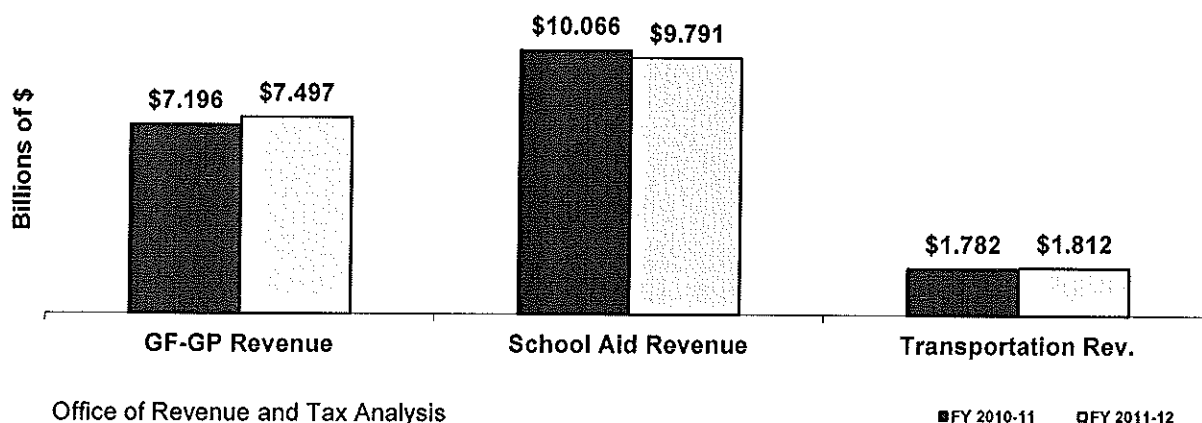
REVENUE OVERVIEW
Office of Revenue and Tax Analysis
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for August 2012, representing some July and some August economic activity in Michigan.

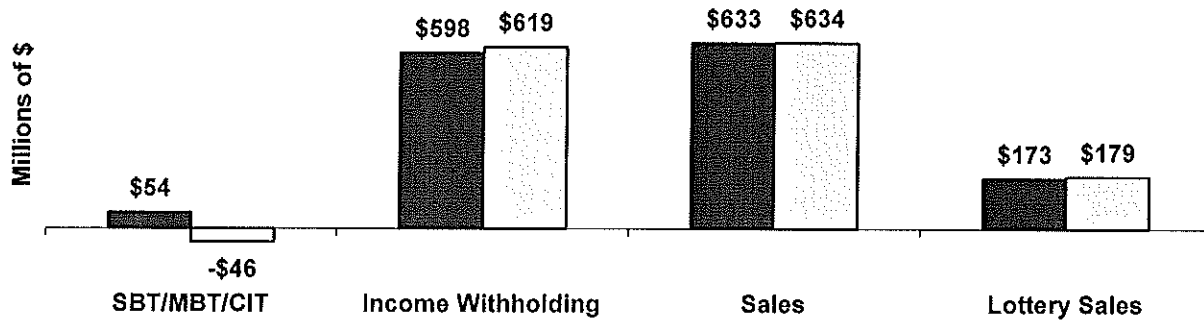
Total General Fund - General Purpose cash collections were \$41.4 million (6.8 percent) lower in August 2012 than in August 2011. The August 2012 School Aid Fund cash collections were \$46.4 million (4.8 percent) lower than in August 2011. August 2012 transportation collections were \$5.9 million (3.6 percent) higher than in August 2011 (see revenue table). August is the eleventh month of the state's fiscal year (FY). Year-to-date collection totals generally provide a more accurate view of collections, since they are less affected by the timing of payments. Year-to-date General Fund - General Purpose cash collections are up \$301.3 million (4.2 percent) from a year ago. School Aid Fund cash collections are down \$275.1 million (2.7 percent) and transportation collections are up \$29.5 million (1.7 percent).

The FY 2011-12 revenue projections presented in the revenue table on page 9 are from the Consensus Revenue Estimating Conference held on May 16, 2012. The revenue estimate for net General Fund – General Purpose revenue for FY 2011-12 is \$9,064.4 million and the net School Aid revenue forecast is \$10,876.1 million. The Transportation Funds revenue forecast is \$2,109.9 million. The next regularly scheduled Consensus Revenue Estimating Conference will be held in January 2013.

**October through August Collections
FY 2010-11 and FY 2011-12**



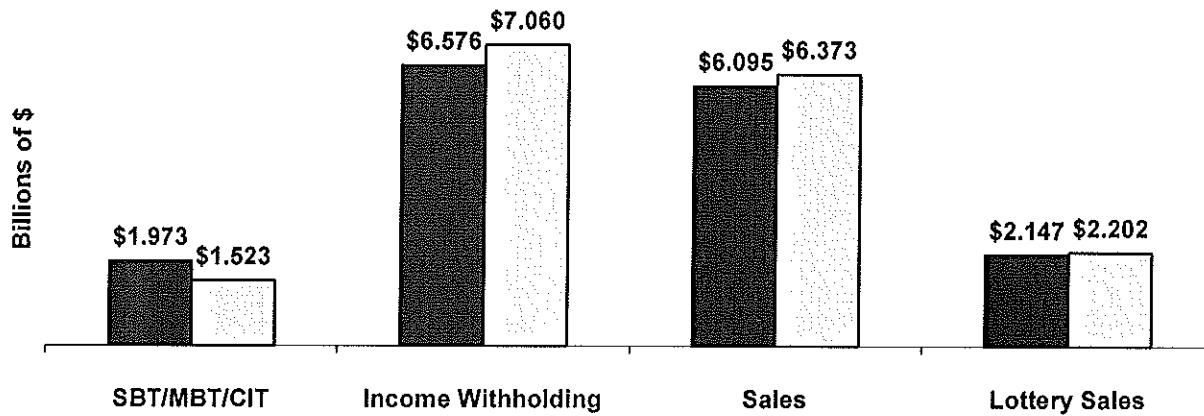
August Revenue Collections FY 2010-11 and FY 2011-12



Office of Revenue and Tax Analysis

■ FY 2010-11 □ FY 2011-12

October through August Collections FY 2010-11 and FY 2011-12



Office of Revenue and Tax Analysis

■ FY 2010-11 □ FY 2011-12

Revenue Summary FY 2011-12
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: August 31, 2012

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH AUGUST CASH COLLECTIONS DATA				REVENUE PROJECTIONS			
August		Difference		SOURCE OF REVENUE	Year-to-Date		Difference	FY 2010-11 Actual Totals	FY 2011-12 Statutory Estimate (h)	FY 2011-12 May 2012 Consensus	
2011	2012	Amount	Percent		FY 2010-11	FY 2011-12					Amount
Income Taxes											
\$598,356	\$618,921	\$20,565	3.4%	Withholding	\$8,576,171	\$7,059,888	\$483,717	\$7,192,100	\$7,664,100	\$7,685,300	
9,671	11,268	1,597	16.5%	Quarterlies	481,561	533,645	52,084	633,600	665,900	680,300	
15,633	16,510	877	5.6%	Annals	698,755	678,011	(20,744)	719,700	693,300	703,400	
623,660	646,698	23,039	3.7%	Gross Collections	7,756,487	8,271,545	515,057	\$8,545,400	\$9,023,300	\$9,069,000	
38,137	34,166	(3,971)	-10.4%	Less: Refunds	2,154,598	2,152,212	(2,385)	2,127,100	2,225,700	2,103,100	
0	0	0	na	State Campaign Fund	0	0	0	1,000	1,000	1,000	
585,523	612,533	27,010	4.6%	Net Personal Income	5,601,890	6,119,332	517,443	\$6,417,300	\$6,796,600	\$6,964,900	
145,188	150,399	5,211	3.6%	Less: Disbursements to SAF	1,805,710	1,918,855	113,145	\$1,972,500	\$2,098,600	\$2,103,400	
\$440,335	\$462,134	\$21,799	5.0%	NET PERSONAL INCOME TO GF-GP	\$3,796,179	\$4,200,477	\$404,297	\$4,444,800	\$4,698,000	\$4,861,500	
Consumption Taxes											
\$8,104	\$7,559	(\$544)	-6.7%	Sales (a)	\$69,884	\$71,345	\$1,461	\$1,066,700	\$97,000	\$1,110,700	
75,131	75,052	(79)	-0.1%	Use (f) (g)	713,803	676,163	(37,640)	734,000	846,600	788,100	
17,720	17,417	(304)	-1.7%	Tobacco	175,260	175,226	(34)	195,700	189,200	193,300	
4,659	4,877	217	4.7%	Beer, Wine & Mixed Spirits	45,372	46,547	1,175	47,100	53,000	50,000	
2,959	3,491	532	18.0%	Liquor Specific	32,356	34,601	2,246	39,500	39,800	40,300	
\$108,574	\$108,396	(\$178)	-0.2%	TOTAL CONSUMPTION TAXES	\$1,036,676	\$1,003,882	(\$32,793)	\$2,083,000	\$1,225,600	\$2,182,400	
Other Taxes											
(\$9,362)	(\$63,167)	(\$53,805)	na	Single Business	\$34,223	(\$63,223)	(\$97,446)	\$2,600	\$0	(\$17,300)	
5,221	3,772	(1,449)	-27.7%	Insurance Premiums Taxes	269,942	291,257	21,315	271,200	277,500	300,000	
(4,141)	(59,395)	(55,254)	na	Sub-total SBT & Insurance	304,165	228,034	(76,131)	273,800	277,500	282,700	
33,396	(12,409)	(45,805)	na	Michigan Business Tax (f)	1,613,499	1,230,008	(383,491)	1,344,000	554,200	713,600	
0	29,416	29,416	na	Corporate Income Tax	0	356,547	356,547	0	510,500	485,600	
(24)	4	28	na	Inheritance / Estate	42	233	190	100	0	0	
2,854	2,404	(450)	-15.8%	Telephone & Telegraph	58,414	59,657	1,243	56,100	61,000	57,000	
5,098	3,738	(1,360)	-26.7%	Oil & Gas Severance	57,203	48,526	(8,677)	59,800	71,600	60,700	
8,317	12,020	3,704	44.5%	Penalties & Interest	111,399	99,513	(11,885)	136,100	145,000	119,700	
332	354	23	6.8%	Miscellaneous Other/Railroad	1,493	1,569	76	1,500	1,000	1,000	
(10,417)	(10,583)	(167)	-1.6%	Treasury Enforcement Programs (e)	(113,333)	(116,417)	(3,083)	(124,900)	(127,000)	(127,000)	
\$35,416	(\$34,450)	(\$69,865)	na	TOTAL OTHER TAXES	\$2,032,882	\$1,907,670	(\$125,212)	\$1,746,500	\$1,493,800	\$1,593,300	
\$584,325	\$536,080	(\$48,245)	-8.3%	SUBTOTAL GF-GP TAXES	\$6,865,737	\$7,112,030	\$246,293	\$8,274,400	\$7,417,400	\$8,637,200	

continued

Revenue Summary FY 2011-12
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: August 31, 2012

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH AUGUST CASH COLLECTIONS DATA				REVENUE PROJECTIONS			
August		Difference		Year-to-Date		Difference		FY 2010-11 Actual Totals	FY 2011-12 Statutory Estimate (h)	FY 2011-12 May 2012 Consensus	
2011	2012	Amount	Percent	FY 2010-11	FY 2011-12	Amount	Percent				
Non-Tax Revenue (e)											
\$744	\$1,667	\$923	124.0%	\$9,127	\$18,833	\$9,707	106.0%	\$17,300	\$23,000	\$20,000	
0	83	83	na	(121)	767	887	na	2,400	400	1,000	
125	917	792	na	2,531	9,708	7,177	na	11,900	9,500	11,000	
134	1,667	1,533	na	3,201	18,333	15,133	na	15,400	22,000	20,000	
0	0	0	na	(1,120)	(1,368)	(248)	-22.1%	(6,500)	(15,000)	(2,100)	
11,333	10,667	(667)	-5.9%	126,500	119,333	(7,167)	-5.7%	109,200	138,000	128,000	
13,333	13,933	600	4.5%	147,917	151,467	3,550	2.4%	164,300	163,000	167,200	
3,292	6,842	3,550	108.0%	41,950	67,908	25,958	61.9%	224,700	47,500	82,100	
\$28,961	\$35,775	\$6,814	23.5%	\$329,984	\$384,982	\$54,998	16.7%	\$538,700	\$388,400	\$427,200	
\$613,285	\$571,855	(\$41,430)	-6.8%	\$7,195,721	\$7,497,011	\$301,290	4.2%	\$8,813,000	\$7,805,800	\$9,064,400	
School Aid Fund											
\$258,440	\$259,070	\$630	0.2%	\$2,494,065	\$2,608,294	\$114,229	4.6%	2,745,500	2,721,400	2,874,800	
202,582	202,293	(290)	-0.1%	1,938,263	2,026,020	87,758	4.5%	2,133,000	2,110,400	2,232,600	
69,040	37,276	(31,764)	-46.0%	709,259	529,540	(179,719)	-25.3%	367,000	423,300	394,000	
30,123	0	(30,123)	-100.0%	325,214	0	(325,214)	-100.0%	739,200	0	0	
127,180	135,668	8,487	6.7%	1,536,879	1,398,008	(138,871)	-9.0%	1,845,100	1,829,000	1,807,100	
13,331	15,766	2,434	18.3%	107,051	126,904	19,853	18.5%	123,200	138,000	124,900	
60,000	60,000	0	0.0%	605,000	640,000	35,000	5.8%	727,200	739,400	750,000	
9,322	9,471	149	1.6%	105,262	107,224	1,962	1.9%	114,000	119,500	114,700	
2,917	3,411	495	17.0%	31,976	34,089	2,112	6.6%	39,100	39,800	40,300	
35,975	35,359	(616)	-1.7%	355,805	355,736	(69)	0.0%	376,200	365,100	374,400	
2,731	1,908	(823)	-30.1%	34,363	30,767	(3,596)	-10.5%	43,600	43,900	42,900	
4,055	3,906	(149)	-3.7%	17,333	15,650	(1,683)	-9.7%	22,500	17,100	17,100	
145,188	150,399	5,211	3.6%	1,805,710	1,918,855	113,145	6.3%	\$1,972,500	\$2,098,600	\$2,103,400	
\$960,884	\$914,525	(\$46,359)	-4.8%	\$10,066,180	\$9,791,086	(\$275,094)	-2.7%	\$11,248,100	\$10,645,400	\$10,876,100	
TOTAL SCHOOL AID FUND											
\$633,315	\$634,075	\$760	0.1%	\$6,095,037	\$6,373,177	\$278,140	4.6%	\$6,709,000	\$6,646,100	\$7,023,900	
430,733	431,783	1,050	0.2%	4,156,775	4,347,157	190,382	4.6%	4,576,000	4,535,700	4,791,300	
202,582	202,293	(290)	-0.1%	1,938,263	2,026,020	87,758	4.5%	2,133,000	2,110,400	2,232,600	
144,171	112,328	(31,843)	-22.1%	1,205,082	1,205,702	(217,360)	-15.3%	1,101,100	1,269,900	1,182,100	
63,519	(12,409)	(75,928)	na	1,938,714	1,230,008	(708,705)	-36.6%	2,083,200	554,200	713,600	
89,047	87,522	(1,526)	-1.7%	880,706	880,534	(172)	0.0%	968,200	940,800	961,700	
5	0	(5)	-100.0%	187,854	194,430	6,576	3.5%	na	na	na	
TOBACCO SETTLEMENT											

continued

Revenue Summary FY 2011-12
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: August 31, 2012

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH AUGUST CASH COLLECTIONS DATA				REVENUE PROJECTIONS			
August		Difference		Year-to-Date		Difference		FY 2010-11		FY 2011-12	
2011	2012	Amount	Percent	FY 2010-11	FY 2011-12	Amount	Percent	Actual Totals	Stationary Estimate (h)	FY 2011-12 May 2012 Consensus	
Major Transportation Revenues											
\$11,490	\$11,146	(\$344)	-3.0%	\$111,705	\$116,276	\$4,571	4.1%	\$125,598	\$124,000	\$127,000	
89,251	73,794	4,543	6.6%	752,134	749,576	(2,558)	-0.3%	831,718	841,000	828,500	
70,630	71,536	905	1.3%	791,202	811,128	19,926	2.5%	859,675	844,000	868,000	
4,509	4,520	11	0.3%	42,330	43,236	906	2.1%	120,853	229,122	183,076	
7,872	8,610	738	9.4%	84,956	91,619	6,663	7.8%	91,065	96,291	103,320	
\$163,752	\$169,606	\$5,854	3.6%	\$1,782,327	\$1,811,835	\$29,508	1.7%	\$2,028,909	\$2,134,413	\$2,109,896	
TOTAL MAJOR TRANS. REVENUES											
Lottery Sales By Games											
54,143	55,962	1,820	3.4%	680,704	703,522	22,817	3.4%	na	na	na	
51,099	49,763	(1,336)	-2.6%	627,317	621,079	(6,238)	-1.0%	na	na	na	
25,409	31,050	5,641	22.2%	325,116	354,495	29,379	9.0%	na	na	na	
951	910	(42)	-4.4%	11,434	11,291	(143)	-1.2%	na	na	na	
494	0	(494)	-100.0%	7,529	1,625	(5,904)	-78.4%	na	na	na	
2,122	(0)	(2,122)	na	12,303	6,798	(5,515)	-44.8%	na	na	na	
38,319	40,977	2,658	6.9%	482,261	502,843	20,582	4.3%	na	na	na	
\$172,537	\$178,661	\$6,125	3.5%	\$2,146,664	\$2,201,642	\$54,978	2.6%	na	na	na	
TOTAL LOTTERY SALES											

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

c The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

d 2% collections adjusted to reflect exemption on residential utilities.

e Non-tax revenue items other than interest are estimates.

f MBT and Use tax GF/SAF distributions adjusted for P.A. 106 of 2009.

g Starting in April 2009, per P.A. 440 of 2008, totals include revenue from expanded use tax collections.

h Income taxes, Withholding tax, Michigan Business tax, and Corporate Income tax estimates have been adjusted to reflect tax changes since May 2011 Consensus.

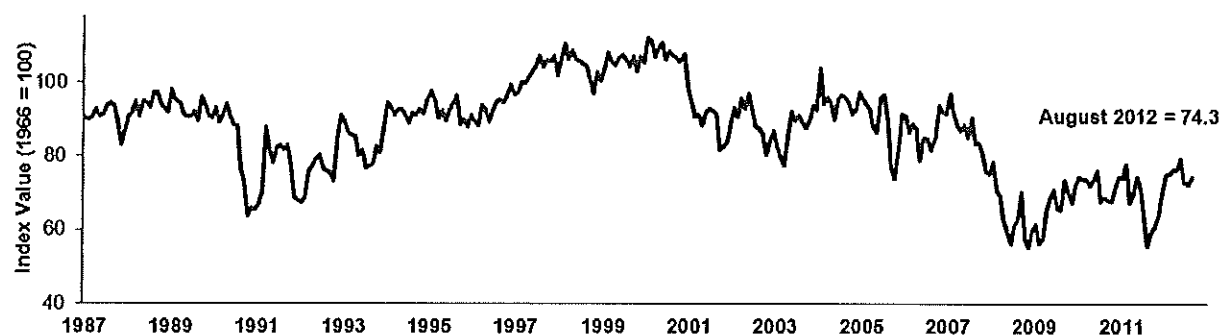
Source: Michigan Department of Treasury, Office of Revenue & Tax Analysis, based on reports from the Office of Financial Management, Michigan Department of Technology, Management and Budget, and other reports from the Michigan Department of Treasury.

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy

Index of Consumer Sentiment



Source: University of Michigan, Survey Research Center

The *Index of Consumer Sentiment* rose in August to 74.3 index-points, 2.0 index-points above the July value and 18.5 index-points above August 2011. On the increase in confidence, Survey Director Richard Curtin noted, "Consumer confidence continued to slowly improve in late August due to a slightly improved household balance sheet. Perhaps the most significant August finding was that consumers held the least favorable economic expectations and the most favorable assessments of current economic conditions since the start of the year. Despite the August gain, confidence has been in a holding pattern in the past few months as consumers await some political resolution" Curtin also reported, "The outsized year-over-year gain of 18.5 Index-points from last August reflects spending policies are still unresolved, with last year's delaying action simply making the fiscal cliff steeper and even more difficult to bridge." On durable goods and vehicle sales, Curtin observed, "Buying plans were bolstered by the availability of deeper price discounts as well as record low interest rates. More consumers with household incomes below \$75,000 held favorable buying attitudes toward large durable goods than any other time since August 2007; among higher income households, these buying attitudes were slightly less favorable in August and remained well below the peaks recorded in 2010 and 2011." In August, consumers in two of the four regions reported an increase in confidence. Western consumers reported an increase in confidence of 7.9 index-points while Southern consumers reported an increase in confidence of 2.3 index-points. Northeastern consumers reported the largest decrease in confidence at 2.7 index-points. The gap across regions increased from last month to 7.6 index-points, with Southern consumers on top and Northeastern consumers on the bottom.

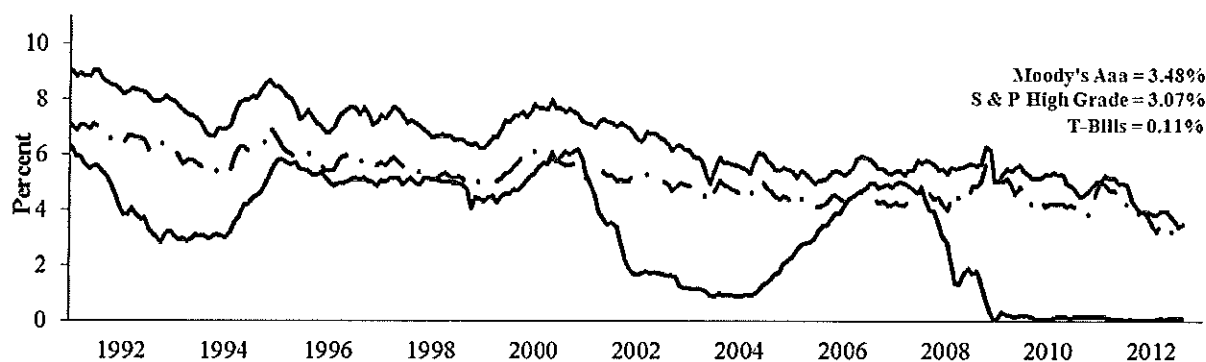
The preliminary estimate of real *Gross Domestic Product* for the second quarter of 2012 is \$13,564.5 billion (chained 2005 dollars), an increase of 1.7 percent at an annual rate. In the first quarter of 2012, real gross domestic product increased 2.0 percent. The increase in second quarter real GDP was mainly due to personal consumption expenditures, exports, non-residential fixed investment, and residential fixed investment. Imports, which are a subtraction in calculating GDP, increased. Real personal consumption expenditures increased 1.7 percent in the second quarter, compared to a 2.4 percent increase in the first quarter. Real residential fixed investment increased 8.9 percent in the second quarter compared to an increase of 20.5 percent in the first quarter. Real nonresidential fixed investment increased 4.2 percent in the second quarter while equipment and software increased 4.7 percent. Real federal government expenditures decreased 0.1 percent in the second quarter,

compared to a 4.2 percent decrease in the first quarter. Real state and local government spending decreased 1.4 percent in the second quarter, compared to a decrease of 2.2 percent in the first quarter. Exports of goods and services increased 6.0 percent in the second quarter, compared to a 4.4 percent increase in the first quarter. Imports increased 2.9 percent in the second quarter compared to an increase of 3.1 percent in the first quarter. Private inventory investment increased \$49.9 billion in the second quarter, following a \$56.9 billion increase in the first quarter. Real final sales increased 2.0 percent in the second quarter compared to an increase of 2.4 percent in the first quarter. On the inflation front, the implicit price deflator increased 1.6 percent in the second quarter compared to a 2.2 percent increase observed in the first quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.6 percent in August, an increase from no change in July. Energy increased by 5.6 percent in August, up from a 0.3 percent decrease in July, while the all-items less food and energy component increased 0.1 percent in August.

Compared to August 2011, the all-items index increased 1.7 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 2.0 percent; medical care, 4.1 percent; apparel, 1.6 percent; education and communication, 1.5 percent; other goods and services, 2.4 percent; housing, 1.4 percent; recreation, 1.2 percent; and transportation, 1.4 percent, with gasoline prices up 1.8 percent.

Selected Key Interest Rates



Source: Economic Indicators

Short-term interest rates increased 0.01 percentage point in August as the 3-month Treasury bill (T-bill) rate was 0.11 percent. Compared to one year ago, the T-bill rate was up 0.06 percentage point. Long-term interest rates, such as the Aaa corporate bond rate, increased 0.08 percentage point to an interest yield of 3.48 percent in August. The Aaa bond yield was down 0.89 percentage point from its year-ago level. The interest rate on High-grade municipal bonds decreased 0.07 percentage point from the July level to 3.07 percent in August, and was down 0.85 percentage point from its year-ago level. The Federal Open Market Committee (FOMC) kept the target range for the federal funds rate between 0 and 0.25 percent at the September 13th meeting. The FOMC stated that, "the Committee decided today to keep the target range for the federal funds rate at 0 to ¼ percent and currently anticipates that exceptionally low levels for the federal funds rate are likely to be warranted at least through mid-2015." The Committee "will closely monitor incoming information on economic and financial developments in coming months."

In August, the U. S. unemployment rate decreased 0.2 percentage point from a month ago to 8.1 percent and was 1.0 percentage point lower than a year ago. Civilian employment totaled 142.1 million persons in August. The number unemployed was 12.5 million nationwide.

Unemployment Rates 2008 - 2012



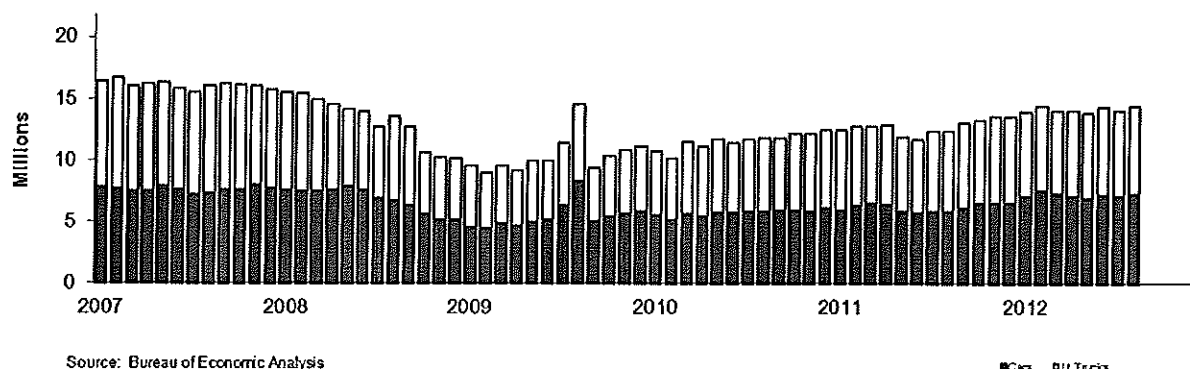
Source: Bureau of Labor Statistics and Michigan Department of Technology, Management & Budget

In August, the **Michigan jobless rate** increased 0.4 percentage point from 9.0 percent in July to 9.4 percent. The August unemployment rate is 1.8 percentage points below the year ago level. In August, the labor force decreased by 3,000 to 4,658,000, while the number of people employed decreased by 18,000 to 4,221,000. In August, there were 437,000 unemployed people. Monthly unemployment rates fluctuate in part due to statistical sampling errors.

Detroit retail prices, as measured by the Detroit Consumer Price Index (CPI-U), increased 1.2 percent from June to August. The all-items less food and energy index increased 0.5 percent from June to August. The food index decreased 0.3 percent from June to August while the energy index increased 8.0 percent. Compared to August 2011, the all-items index increased 1.5 percent. For individual component items, the changes from one year ago were: food and beverages, 0.4 percent; apparel, -3.5 percent; education and communication, 1.8 percent; transportation, 2.0 percent; recreation, 5.1 percent; medical care, 3.3 percent; housing, 1.8 percent; and other goods and services, 3.1 percent.

Motor Vehicle Sector

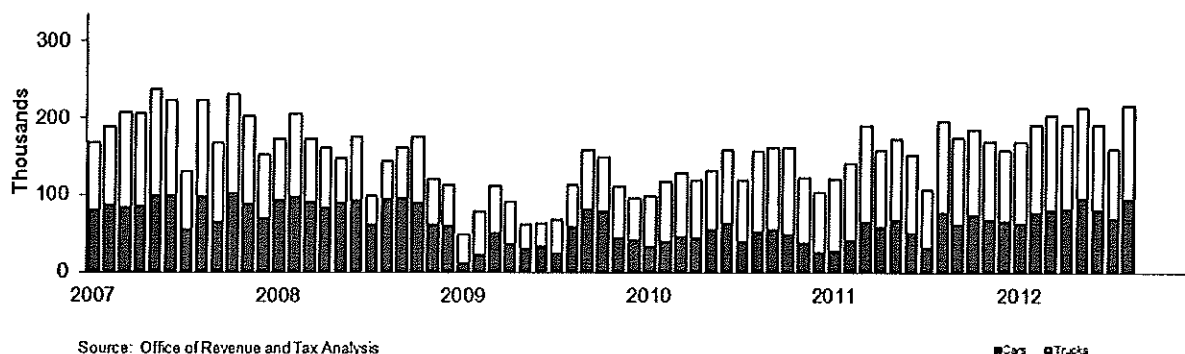
U. S. Light Vehicle Sales



U.S. light vehicle sales (cars + light trucks) increased 3.0 percent in August compared to July, selling at a 14.5 million unit seasonally adjusted annual rate. Domestic car sales increased 5.6 percent while domestic light truck sales increased 4.4 percent. Import car sales decreased 2.0 percent while import light truck sales decreased 7.8 percent. Compared to last year, light vehicle sales increased 16.5 percent. Domestic car sales were up 30.3 percent while domestic light truck sales increased 10.2 percent. Import car sales were up 11.9 percent while import truck sales increased 1.8 percent from last year. As a result, the domestic share of U.S. light vehicle sales increased 1.5 percentage points from a year ago. For fiscal year 2012 year-to-date, domestic light vehicles recorded a 78.0 percent share of a 14.0 million-unit market.

Michigan motor vehicle production increased to 216,536 units in August from 159,350 units last month. From a year ago, motor vehicle production increased 11 percent in Michigan and rose 20 percent nationally. In August, Michigan's car production was 93,878 units while the state's truck production was 122,658 units. Compared with a year ago, car production increased 23 percent in Michigan and rose 44 percent nationwide. The state's truck production increased 36 percent while national truck production increased 32 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

Michigan Motor Vehicle Production



**Summary Estimates of the Constitutional Revenue Limit
Based on the May 16, 2012 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	Fiscal Year 2009-10 Actual	Fiscal Year 2010-11 Actual	Fiscal Year 2011-12 Estimate
Applicable Calendar Year Personal Income Section 26 Base Ratio Revenue Limit	<u>\$349,612</u> <u>9.49%</u> \$33,178.2	<u>\$345,933</u> <u>9.49%</u> \$32,829.0	<u>\$342,663</u> <u>9.49%</u> \$32,518.7
Revenue Limit	\$33,178.2	\$32,829.0	\$32,518.7
State Revenue Subject to Limit	<u>\$25,572.6</u>	<u>\$27,248.2</u>	<u>\$26,512.3</u>
Amount Under (Over) Limit	\$7,605.6	\$5,580.8	\$6,006.4

Sources:

Personal Income Estimate

The FY 2009-10 calculation uses the official personal income estimate for calendar year 2008 (Survey of Current Business, October 2009).

The FY 2010-11 calculation uses the official personal income estimate for calendar year 2009 (Survey of Current Business, October 2010).

The FY 2011-12 calculation uses the May 16, 2012 Consensus Revenue Agreement.

Revenue Subject to the Limit

The FY 2009-10 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2010.

The FY 2010-11 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2011.

The FY 2011-12 calculation uses the May 16, 2012 Consensus Revenue Agreement.

Column detail may not add to totals because of rounding

Prepared By: Office of Revenue and Tax Analysis, Michigan Department of Treasury